

GAO

United States General Accounting Office

Report to Congressional Committees

July 2000

# MILITARY BASE CLOSURES

## Unexpended Funds Raise Questions About Fiscal Year 2001 Funding Needs

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## Abbreviations

BRAC	base realignment and closure
DOD	Department of Defense





United States General Accounting Office  
Washington, D.C. 20548

National Security and  
International Affairs Division

B-285293

July 7, 2000

#### Congressional Committees

The Congress enacted base realignment and closure legislation that instituted four realignment and closure rounds between 1988 and 1995 to help the Department of Defense eliminate excess military bases. To fund costs for base closures and realignments, the Congress established two base closure accounts: the first to implement decisions resulting from the 1988 round and the second, referred to as the 1990 account, to fund base closure actions resulting from the 1991, 1993, and 1995 rounds. Although the Department's authority to obligate 1988 base closure account funds expired on September 30, 1995, funds in the second account are available for use indefinitely. The Congress, recognizing the complexities of realigning and closing bases and of providing environmental restoration and mitigation, allows the Department the flexibility to allocate funds by military service, budget function, and installation. Also, with congressional approval, the Department can redistribute unobligated balances as appropriate to avoid delays in implementing closures and realignments.

Federal agencies must obtain budget authority before incurring obligations of appropriated funds. Obligations are the amounts of orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same or a future period. As services are rendered or goods delivered, an agency makes the required outlays (i.e. payments) to liquidate the obligations; otherwise, the balances of the obligations remain unliquidated. The process of liquidating obligations from the 1990 base closure account funds can result in excess funds that may be deobligated and then obligated elsewhere to meet other needs. Funds that have never been obligated or have been deobligated from prior requirements are referred to as unobligated.

Senate Report 106-74, dated June 10, 1999, on the fiscal year 2000 military construction appropriation bill requested that we review the Department's base closure accounts and its budget request for base closure activities. This report examines (1) how trends in base realignment and closure appropriations in recent years and estimates for future years compare to the fiscal year 2001 budget request and (2) unliquidated obligations and unobligated balances from prior years' appropriations and the extent to which the Department considered these balances and obligations in

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preparing the fiscal year 2001 budget request. See appendix I for a description of the scope and methodology for this report.

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## Results in Brief

Appropriations for the 1990 base closure account have declined steadily since 1996 as more base closure and realignment actions have been completed. However, for fiscal year 2001, the Department is requesting about \$1.2 billion in new budget authority, significantly more than last year's appropriation of about \$700 million. A larger, \$1.6-billion budget request was initially planned for fiscal year 2001, but the final \$1.2-billion request resulted from several downward adjustments made as the budget request was being developed. Of particular note was a decision by Department officials to reduce the planning estimate for fiscal year 2001 by \$363 million because they did not believe the larger amount could reasonably be executed in fiscal year 2001. Additional reductions were made primarily because prior years' environmental cleanup funds were being expended at a slower pace than anticipated.

At the time the fiscal year 2001 budget estimate was being developed, the Department had about \$500 million in reported unobligated balances from previous years' appropriations in the 1990 account, about \$114 million of which was appropriated in fiscal year 1998 or earlier. Additionally, it had \$1.6 billion in reported unliquidated obligations from prior appropriations in the 1990 account, of which about \$115 million were appropriated in 1995 or earlier. The majority of the \$115 million unliquidated funds resulted from environmental cleanup activities that were carried out more slowly than planned, especially by the Air Force. Available data indicate that only the Navy provided documentation that it had considered unobligated and unliquidated balances in formulating its portion of the budget request. In finalizing the fiscal year 2001 budget request, Defense Comptroller officials initially proposed reductions of over \$200 million because of concerns over slow budget execution and large amounts of unliquidated obligations, but only \$53.4 million of these proposed reductions were ultimately approved. The Army and the Air Force have recently initiated actions to reexamine their prior years' unobligated and unliquidated balances.

This report contains matters for consideration by the Congress in assessing the Department's fiscal year 2001 base realignment and closure budget request and a recommendation to the Secretary of Defense concerning the need for timely liquidation of obligations, the deobligation of funds where appropriate, and the consideration of these funds in formulating new budget requests. In commenting on a draft of this report, the Department

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concurrent with our assessment of the Base Realignment and Closure program and our recommendation.

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## Background

In the late 1980s, changes in the national security environment resulted in a Defense infrastructure with more bases than the Department of Defense (DOD) needed. To enable DOD to close unneeded bases, the Congress enacted legislation that instituted base realignment and closure (BRAC) rounds in 1988, 1991, 1993, and 1995. For the 1988 round, legislation required DOD to complete its closure and realignment actions by September 30, 1995. For the 1991, 1993, and 1995 rounds, legislation required DOD to complete all closures and realignments within 6 years from the date the President notified the Congress of the recommended base realignments or closures.

DOD's authority to obligate 1988 base closure account funds to close or realign bases expired on September 30, 1995. After that date, funds in the 1988 account ceased to be available for new obligations and may be used only to adjust and liquidate obligations already charged to the account. Any unobligated funds in the 1988 account must remain there until the Congress transfers them or the account is closed. According to DOD officials, the 1988 account will be closed on September 30, 2000, when the remaining obligated and unobligated balances will be permanently canceled. Any subsequent obligation adjustments or payments incurred against the 1988 account will be funded with current appropriations. As of February 2000, the 1988 base closure account contained \$65.2 million in reported unobligated funds. Appendix II describes the status of funds in the 1988 account.

A different set of rules applies, however, to the 1990 base closure account. Funds in that account are available until expended. As of December 1999, reported unliquidated and unobligated funds in the 1990 base closure account totaled about \$1.6 billion and \$500 million, respectively. These amounts included \$672 million appropriated in 1999 for fiscal year 2000. New obligations may be incurred and old obligations liquidated against the account until the funds are expended.<sup>1</sup>

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<sup>1</sup>The Secretary of Defense may close the account under certain circumstances.

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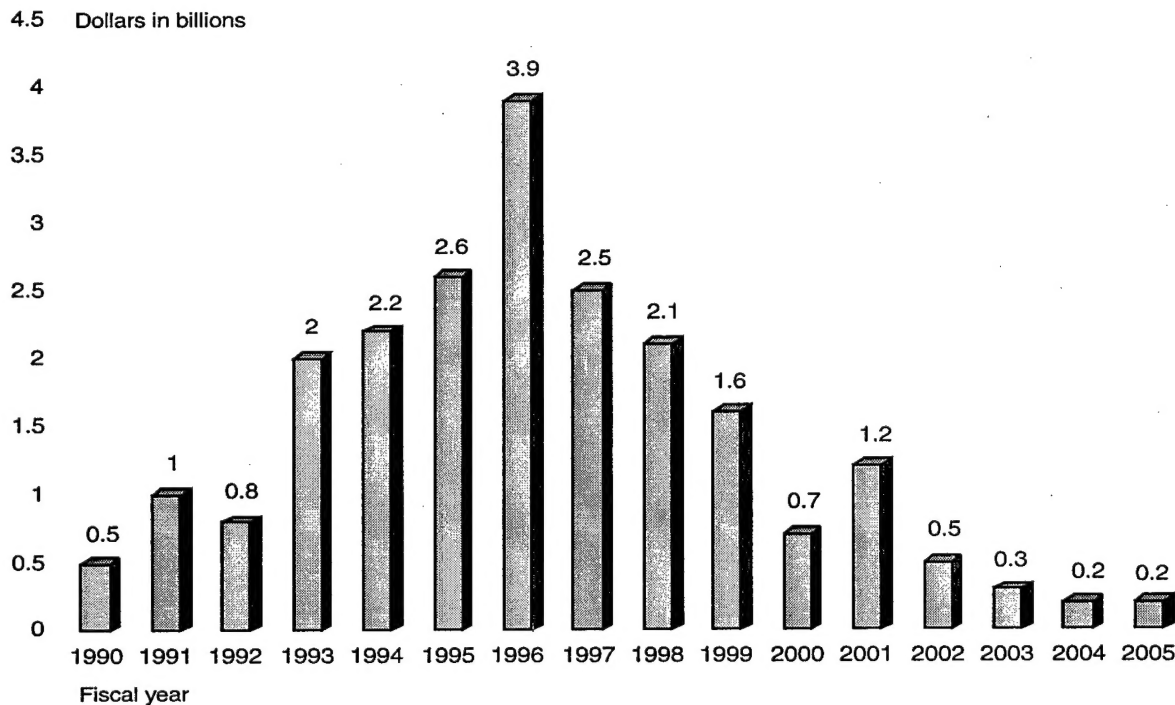
According to the Office of Management and Budget's Circular A-34, Instructions on Budget Execution, deobligated funds are available for new obligations if their period of availability has not expired. Although the DOD Financial Management Regulation provides policy and procedures for base closure and realignment actions, it does not specify procedures for reviewing (1) unobligated balances and using these funds for valid new requirements or (2) unliquidated obligations and using these funds for new requirements when final outlays have been recorded.

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### **Fiscal Year 2001 BRAC Budget Request Departs From Recent Pattern of Appropriations**

Annual appropriations for DOD's 1990 base closure account have declined steadily since 1996, as more BRAC actions have been completed. Figure 1 shows the trend in BRAC appropriations for fiscal years 1990-2000, the fiscal year 2001 BRAC budget request, and future estimates through 2005. The illustration shows that DOD's budget request for fiscal year 2001 deviates from the historical pattern of declining budget requirements subsequent to fiscal year 1996. Appropriations for BRAC accounts have totaled about \$20 billion since 1990.

**Figure 1: BRAC Appropriations for Fiscal Years 1990-2000, Fiscal Year 2001 BRAC Budget Request, and Future Program Estimates Through 2005**



Note: Current DOD extended planning estimates show BRAC funding requirements through 2008.

Source: Appropriations laws, fiscal year 2001 budget request, and fiscal year 2001 Future Years Defense Program.

As shown in figure 1, annual appropriated amounts for closure and realignment activities peaked at about \$3.9 billion in fiscal year 1996 and have declined steadily each year through fiscal year 2000. However, for fiscal year 2001, DOD's budget request of about \$1.2 billion is significantly higher than the 2000 appropriation and estimates for future years. Specifically, the request is about \$500 million more than the fiscal year 2000 appropriation and about \$700 million more than DOD's current program estimate for fiscal year 2002. The request differs from the general trend, which shows declining requirements after 1996 as more BRAC-related military construction and operation and maintenance actions are completed. Approximately \$865 million of the \$1.2 billion fiscal year 2001 budget request is for environmental cleanup, \$294 million is for operation and maintenance, and \$13 million is for military construction.



Although DOD's fiscal year 2001 BRAC budget request is substantially higher than that of fiscal year 2000, the 2000 program estimate for the year 2001 was even higher—about \$1.6 billion. The higher estimate reflected a budget strategy used by the Department in 1999 to shift a portion of the fiscal year 2000 funding requirement to fiscal year 2001. However, in preparing its fiscal year 2001 budget request, DOD made a major downward revision to the initial \$1.6-billion program estimate. DOD officials told us that a revalidation of the BRAC program indicated that the \$1.6-billion level of funding could not reasonably be executed in fiscal year 2001. Therefore, the BRAC program estimate, and the corresponding budget request, were reduced to \$1.2 billion.

### Large Amounts of Funds Accumulated From Previous Years but Only Small Adjustments Were Made to Fiscal Year 2001 Budget Request

As of December 1999, the Department had about \$500 million in reported unobligated balances, of which about \$114 million were appropriated in fiscal year 1998 or earlier. The Department also had \$1.6 billion in reported unliquidated obligations from prior appropriations, of which about \$115 million were appropriated in 1995 or earlier.<sup>2</sup> DOD Comptroller officials analyzed the environmental unliquidated obligations and concluded that they were being liquidated much more slowly than in other non-BRAC environmental activities.<sup>3</sup> On the basis of this analysis, the DOD Comptroller initially proposed significant reductions to the components' (particularly the Air Force's) requests for fiscal year 2001. Ultimately, however, the Comptroller reduced his proposed reductions by about half, primarily because of Air Force concerns that the reductions would have too great an impact on its program. Subsequently, the Deputy Secretary of Defense reduced the overall proposed reduction to the components' budget estimates by about another half.

### Unobligated Balances

As previously noted, appropriations to the 1990 base closure account are available for indefinite use. According to DOD Comptroller officials, although BRAC funds are available for obligation in any fiscal year, the general rule still applies that only those funds that are required in the fiscal

<sup>2</sup>Represents data from the Army, the Navy, and the Air Force. Navy data are limited to reported unobligated and unliquidated fund balances from its primary base closure executing command—the Naval Facilities Engineering Command.

<sup>3</sup>DOD officials did not complete a similar analysis of the operation and maintenance and military construction accounts.

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year that is being budgeted should be requested. Therefore, according to DOD officials, it is reasonable to expect that BRAC funds be fully obligated in the first 2 years of availability. DOD's budget execution data indicated that, as of December 1999, \$114 million in reported unobligated balances were appropriated in fiscal year 1998 or earlier.

Financial management officials in each of the services told us that they had considered prior year fund balances when preparing their fiscal year 2001 budget requests. However, only the Navy could provide documentation demonstrating that it had offset its fiscal year 2001 budget request (by \$67 million) as a result of funds available from prior years' appropriations.

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## Unliquidated Obligations

In July 1999, we reported that DOD had about \$455.9 million in unliquidated obligations from the 1991 and 1993 BRAC round environmental activities alone, suggesting that some funding might be available to offset the Department's fiscal year 2000 BRAC budget request.<sup>4</sup> Commenting on that report, the Under Secretary of Defense (Comptroller) stated that the issue was under review and that DOD was collecting data to determine whether there was indeed a problem.

In November 1999, DOD Comptroller officials affirmed that the services still had substantial unliquidated obligations (particularly in the BRAC environmental sub-accounts) that the rate of liquidation lagged behind established performance measures, and that funds were either unneeded or being requested in advance of needs. According to DOD's established spending rates for environmental programs, liquidations should be finalized by the end of the fifth year, as contracts are closed out. Also, according to these officials, in view of the emphasis on fast-track cleanup of bases affected by BRAC, environmental programs should exceed rather than lag behind in budget execution when compared to non-BRAC environmental programs. However, DOD Comptroller officials also stated that the closing of completed contracts and the corresponding finalization of liquidations and recoupment of excess funds were proceeding at a much slower rate than for similar activities in non-BRAC accounts. Accordingly, they measured the extent to which BRAC environmental liquidations had lagged behind non-BRAC programs since 1992. The numbers in parentheses in table 1 indicate the extent to which liquidations lagged

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<sup>4</sup>*Military Base Closures: Potential to Offset Fiscal Year 2000 Budget Request* (GAO/NSIAD-99-149, July 23, 1999).

behind established liquidation rates. Positive numbers indicate where liquidations exceeded established liquidation rates. DOD's analysis showed that the execution of the base closure environmental program budget alone lagged behind the established liquidation rates of non-BRAC environmental programs by over \$271 million between 1992 and 1998. About \$187 million of the variance was attributed to the Air Force.

**Table 1: DOD's Evaluation of How Much Slower BRAC Environmental Liquidations Were Than Non-BRAC Environmental Program Liquidations, Fiscal Years 1992-98**

Dollars in millions

Component	Fiscal years							Total
	1992	1993	1994	1995	1996	1997	1998	
Army	(\$0.3)	(\$1.6)	(\$4.0)	(\$2.9)	(\$14.2)	(\$7.8)	(\$19.5)	(\$50.3)
Navy	(0.6)	(4.7)	(5.4)	(1.2)	(1.8)	(20.7)	11.2	(23.2)
Air Force	(9.6)	(8.7)	(10.4)	(43.5)	(28.2)	(30.4)	(56.4)	(187.2)
Defense Logistics Agency	0	0	(0.3)	(3.1)	0.3	(5.4)	(2.4)	(10.9)
<b>Total</b>	<b>(\$10.5)</b>	<b>(\$15.0)</b>	<b>(\$20.1)</b>	<b>(\$50.7)</b>	<b>(\$43.9)</b>	<b>(\$64.3)</b>	<b>(\$67.1)</b>	<b>(\$271.6)</b>

Source: Department of Defense data.

DOD officials concluded that the components had emphasized getting funds obligated on contracts for new work rather than liquidating and closing out completed contracts. DOD officials also concluded that it was likely that a substantial portion of the unliquidated balances in accounts that were 5 or more years old could be in excess of requirements when the contracts were closed out and could be applied toward current requirements.

On the basis of this analysis, DOD officials initially proposed reducing the components' BRAC budget requests for fiscal year 2001 by over \$200 million—up to \$161 million for the Air Force. The Air Force argued against the proposed adjustment, stating that it would put its BRAC environmental program further behind and that some "must pay" bills—such as long-term monitoring and program management—would not be covered. Consequently, DOD officials reduced the overall proposed cuts to \$108.2 million, including \$74.5 million from the Air Force. Subsequently, however, the Deputy Secretary of Defense further reduced the proposed overall cut to \$53.4 million (\$25.9 million from the Air Force). Table 2

shows the adjustments the Department made to its prior year program estimate for fiscal year 2001 to arrive at its final budget request.

**Table 2: DOD Adjustments to the Components' Fiscal Year 2001 BRAC Program Estimates**

Dollars in millions

Component	DOD budget justification data February 1999	Reductions made because of budget execution concerns	Reductions made due to large unliquidated balances	DOD budget justification data February 2000
Army	\$412.7	(\$87.1)	(\$22.3)	\$303.3
Navy	603.5	(126.4)	(5.0)	472.1
Air Force	545.1	(149.5)	(25.9)	369.7
Defense Logistics Agency	25.4	0	(0.2)	25.2
<b>Total</b>	<b>\$1,586.7</b>	<b>(\$363.0)</b>	<b>(\$53.4)</b>	<b>\$1,170.3</b>

Source: DOD's BRAC Executive Summary & Budget Justification Data, submitted to the Congress February 1999 and February 2000, and other DOD budget data.

As shown in table 2, the initial BRAC program estimate of about \$1.6 billion was reduced by about \$363 million because DOD officials did not believe the larger amount could reasonably be executed in fiscal year 2001. An additional reduction of \$53.4 million was made primarily to account for slow prior years' budget execution and large amounts of unliquidated obligations. Documentation from the Army and the Air Force shows that specific actions to identify potentially idle funds were generally not conducted until most internal deliberations of the fiscal year 2001 budget request were completed.

## Conclusions

There is no assurance that all the funds DOD is requesting for fiscal year 2001 are needed or can be liquidated within the Department's established budget execution time frames. Even though base closure actions are drawing to a close, the Department's fiscal year 2001 budget request includes a substantial increase in BRAC funding for the first time since 1996. At the same time, Department officials have identified a significant buildup of unobligated balances and unliquidated obligations, resulting primarily from slow budget execution extending as far back as 1992. Despite this buildup, the Department has made only limited reductions to the services' BRAC budget estimates, taking into account the potential availability of some of these funds for current requirements.

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## Matter for Congressional Consideration

In appropriating base realignment and closure funds for fiscal year 2001, the Congress may wish to take into consideration the large balances of unexpended funds, particularly in the Department's environmental sub-accounts, and the Department's limited action in taking into account the potential availability of some of these funds to offset its 2001 budget request.

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## Recommendation

We recommend that the Secretary of Defense require that the services perform complete and timely reviews of all base realignment and closure unliquidated balances, close out completed contracts, identify potentially idle funds, deobligate funds where appropriate, and consider the availability of these funds in formulating new budget requests.

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## Agency Comments and Our Evaluation

In written comments on a draft of this report, the DOD Comptroller concurred with our assessment of the base realignment and closure accounts and fiscal year 2001 budget request. DOD agreed that action was needed and would be taken to ensure unobligated balances and unliquidated obligations are thoroughly reviewed during the formulation of future budget requests. At the same time, DOD believed that some additional explanation should be provided in the report regarding the reason for the substantial increase in the fiscal year 2001 BRAC budget request over the appropriated level in fiscal year 2000. In its comments, the Department stated that the fiscal year 2001 BRAC budget request reflects increased funding to account for military construction funds that DOD wanted to defer to 2001 in order to shift several hundred million dollars in fiscal year 2000 BRAC funding to meet readiness requirements.

We understand the circumstances surrounding the strategy DOD employed for its fiscal year 2000 BRAC budget request. However, these alone give an incomplete picture of the factors that led to the Department's higher funding request of \$1.2 billion for fiscal year 2001. As explained in our report, the shift in funding initially pushed DOD's fiscal year 2001 program estimate to about \$1.6 billion. Prior to this adjustment, the program requirements for fiscal year 2001 were estimated to be about \$1.1 billion. However, during its budget preparation, DOD subsequently removed virtually the entire increase resulting from the funding shift because it determined that the \$1.6-billion funding could not reasonably be executed in fiscal year 2001. We also note in our report that, notwithstanding progressively lower BRAC funding levels since 1996, DOD

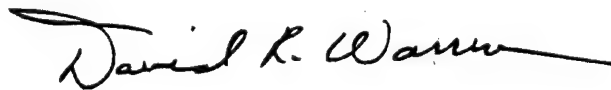
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officials identified slow budget execution extending as far back as 1992, resulting in a large buildup of unobligated balances and unliquidated obligations. However, the Department took only limited action to offset its fiscal year 2001 BRAC budget request to take into account the potential availability of some of these funds to meet current requirements. DOD's comments are reprinted in full in appendix III.

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We are sending copies of this report to Senator Ted Stevens, Chairman, and Senator Daniel K Inouye, Ranking Minority Member, Subcommittee on Defense, Committee on Appropriations; Representative Jerry Lewis, Chairman, and Representative John P. Murtha, Ranking Minority Member, Subcommittee on Defense, Committee on Appropriations; the Honorable William S. Cohen, Secretary of Defense; the Honorable William J. Lynn, Under Secretary of Defense (Comptroller); the Honorable F. Whitten Peters, Secretary of the Air Force; the Honorable Louis Caldera, Secretary of the Army; the Honorable Richard Danzig, Secretary of the Navy; and the Honorable Jacob J. Lew, Director, Office of Management and Budget. Copies will also be made available to others upon request.

GAO contacts and other key contributors to this report are listed in appendix IV.



David R. Warren, Director  
Defense Management Issues

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List of Congressional Committees

The Honorable John Warner  
Chairman  
The Honorable Carl Levin  
Ranking Minority Member  
Committee on Armed Services  
United States Senate

The Honorable Conrad Burns  
Chairman  
The Honorable Patty Murray  
Ranking Minority Member  
Subcommittee on Military Construction  
Committee on Appropriations  
United States Senate

The Honorable Floyd D. Spence  
Chairman  
The Honorable Ike Skelton  
Ranking Minority Member  
Committee on Armed Services  
House of Representatives

The Honorable David L. Hobson  
Chairman  
The Honorable John W. Olver  
Ranking Minority Member  
Subcommittee on Military Construction  
Committee on Appropriations  
House of Representatives





# Scope and Methodology

To identify opportunities to offset the Department of Defense's (DOD) budget request for fiscal year 2001 Base Realignment and Closure (BRAC) activities, we focused on appropriations of prior fiscal years that were unobligated or unliquidated and that may be available to fund BRAC activities during fiscal year 2001. We also identified trends in appropriations since 1990. Because most actions for the 1991 and 1993 BRAC rounds were required to be completed by July 1997 and July 1999, respectively, we sought to determine the need for the unobligated funds and unliquidated obligations that were still allocated to these rounds and the extent to which they were considered when developing the fiscal year 2001 budget request. We examined a variety of DOD and military service budget and financial documents, and we examined budget execution data for BRAC military construction, operations and maintenance, environmental, and undistributed funds.

In performing this review, we used the same accounting systems, reports, and statistics the military services use to monitor their BRAC programs. To obtain the outstanding balances in the various BRAC accounts from prior years, we used data available from the Defense Finance and Accounting Service. We also used data from the information systems of the Army (Corps of Engineers Financial Management System) and the Navy (Naval Facilities Engineering Command, Facilities Information System). Although we did not independently determine the reliability of this information in this review, our prior reports and testimonies have raised questions about the reliability of DOD's reported data on obligations, disbursements and costs associated with its environmental liabilities.<sup>1</sup>

To evaluate DOD's budget request for fiscal year 2001, we reviewed fiscal year 2001 and prior fiscal year budget requests and supporting justifications from DOD and the military services, applicable Future Years Defense Program documents, program budget decisions, and other related documents.

We interviewed and obtained data from DOD officials, including officials from the Office of the Under Secretary of Defense (Comptroller), the DOD Inspector General, the Air Force, the Army, and the Navy. Within the Air

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<sup>1</sup>*Department of Defense: Progress in Financial Management Reform* (GAO/T-AIMD/NSIAD-00-103, May 9, 2000); *Defense Transportation: More Reliable Information Key to Managing Airlift Services More Efficiently* (GAO/NSIAD-00-6, Mar. 6, 2000).

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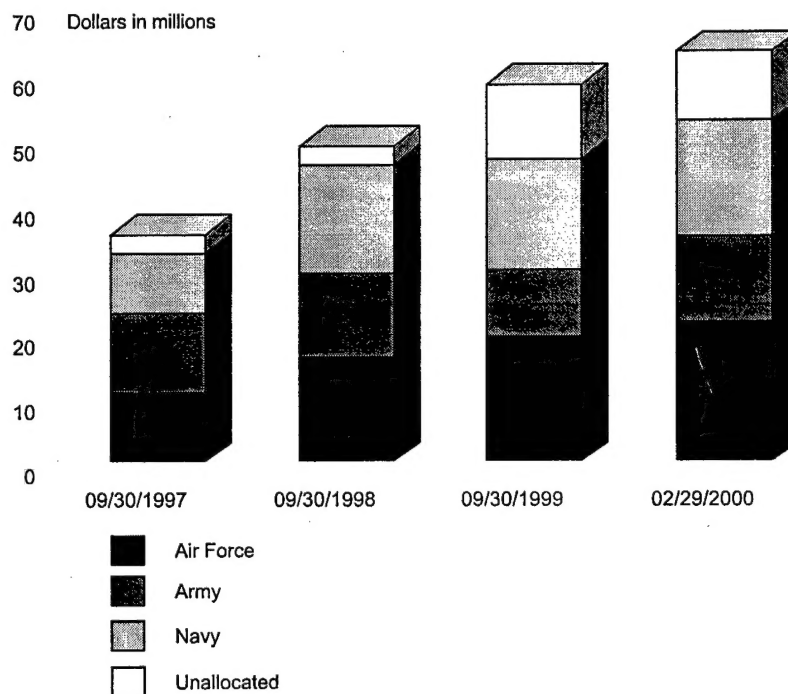
Force, we met with or contacted officials from the Office for Financial Management and Comptroller, the Air Force Base Conversion Agency, the Air Force Base Transition Division, and the Air Force Center for Environmental Excellence. Army organizations we met with included the Office of the Assistant Chief of Staff for Installation Management (Army BRAC Office), the Office of the Assistant Secretary of the Army for Financial Management, and the Army Corps of Engineers. Within the Navy, we met with officials from the Office of the Chief of Naval Operations, Naval Facilities Engineering Command, and the Navy Financial Management and Comptroller. We also attended several weekly briefings by an accounting consultant hired by the Air Force.

We conducted our review from October 1999 through May 2000 in accordance with generally accepted government auditing standards.

# Status of Funds in the 1988 Base Closure Account

Unobligated funding balances in the 1988 base closure account continue to grow. As of February 29, 2000, the account contained \$65.2 million in reported unobligated funds. As shown in figure 2, the unobligated amount has risen by about \$30 million since the end of fiscal year 1997. According to program officials, the increase occurred because the military services deobligated funds from requirements that no longer existed. Program requirements tend to change, and in some cases disappear, as BRAC actions are implemented. As the services' deobligation process continues, the unobligated balance in the 1988 account will increase.

**Figure 2: Unobligated Balances in the 1988 Base Closure Account Since September 30, 1997**



Note: Unallocated amounts are amounts of funds held at the Department level that have not been allocated to a particular service component.

Source: Appropriations Status by Fiscal Year Program and Subaccounts, Form (DDCOMP (M)) 1002s, as dated above, Defense Finance and Accounting Service.

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**Appendix II**  
**Status of Funds in the 1988 Base Closure**  
**Account**

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As we reported in 1998, program officials stated that pursuant to a DOD Office of General Counsel memorandum, the unobligated funds in the 1988 account are used only to adjust and liquidate obligations that have already been charged to the account. According to DOD officials, the 1988 account will be closed on September 30, 2000, when the remaining obligated and unobligated balances will be permanently canceled.

# Comments From the Department of Defense



COMPTROLLER

UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100



JUN 27 2000

Mr. David R. Warren  
Director, Defense Management Issues  
National Security and International Affairs Division  
United States General Accounting Office  
Washington, DC 20548

Dear Mr. Warren:

This is the Department of Defense response to the General Accounting Office (GAO) Draft report, "MILITARY BASE CLOSURES: Unexpended Funds Raise Questions About FY 2001 Funding Needs," dated May 15, 2000, (GAO Code 709472/OSD Case 2003).

In general, the Department concurs with your assessment of the Base Realignment and Closure (BRAC) program and with your recommendation that the Services review unused BRAC balances in formulating new budget requests. I will take additional measures to ensure that unused balances are thoroughly reviewed during the formulation of future budget requests.

However, I believe that some additional explanation should be provided in your report regarding the reason for the substantial increase in the FY 2001 BRAC budget request over the appropriated level for FY 2000. The FY 2001 budget request reflects increased funding from the FY 2000 level in order to complete BRAC efforts that were only partially funded in FY 2000. In last year's budget request, the Department used the advance appropriations budget methodology for the military construction accounts in order to reapply the funds to readiness requirements. This meant that efforts were split funded between FY 2000 and FY 2001. Congress objected to this approach and added funds to the military construction accounts to fully fund projects. However, the Congress did not similarly restore funding to the FY 2000 BRAC account and a significant portion of the FY 2001 BRAC request is to fulfill valid FY 2000 requirements that could not be accomplished due to funding constraints.

I appreciate the opportunity to comment on the draft report.

Sincerely,

William J. Lynn

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# GAO Contacts and Staff Acknowledgments

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## GAO Contacts

Barry Holman, (202) 512-5581  
William Crocker, (202) 512-4533

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## Acknowledgments

In addition to those named above, Jerry Thompson, Joe Faley, Larry Kiser, and Adam Vodraska made key contributions to this report.